KOUKAMMA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

Annual Financial Statements

for

Kou-Kamma Municipality

for the year ended 30 June: ***2012***

Province:	Eastern Cape
AFS rounding:	***R (i.e. only cents)***

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Kou-Kamma Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Legal form of entity	Local Municipality
Nature of business and principal activities	The main business of the municipality is to engage in local governance activities which includes planning and promotion of integrated development planning, land, economic and enviromental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following: Housing services - supplying housing to community and includes; Rental of units owned by the municipality to members of the public and staff, Waste management services- The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality and Water Services - Supplying water to the public.
Mayoral committee	
Mayor & Speaker	Hon. MS Vuso
Councillors	Cllr. P Goni Cllr. S Jacobs Cllr. B Jantjies Cllr. R Krige Cllr. N Mntambo Cllr. T Mohr Cllr. L Nelson Cllr. N Pottie Cllr. C Rheeders Cllr. F Strydom
Capacity of Local Authority	Medium
Accounting Officer	Mr. S Nkhulu
Chief Financial Officer (CFO)	Ms. N Venter
Registered Office	5 Keet Street Kareedouw 3170
Postal Address	Private Bag 11 Kareedouw 3170
Bankers	ABSA Bank Ltd.
Auditors	Auditor-General - Eastern Cape
Attorneys	Boqwana Nlabezo Incorporated

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 69, which are prepared on a going concern basis and in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: S Nkuhlu
08 November 2012

Kou-Kamma Municipality
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for the year ended 30 June 2012

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Kou-Kamma Municipality

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	3	5,265,109	15,980,027
Trade and other receivables from exchange transactions	4	12,680,773	4,285,678
Other receivables from non-exchange transactions	5	16,730,780	846,984
Inventories	6	36,522	-
VAT receivable	13	1,694,571	-
Conditional grants receivable	15	979,836	713,362
Non-current assets			
Property, plant and equipment	7	218,041,993	212,822,656
Intangible assets	8	390,890	493,009
Investment property	9	25,439,441	25,467,500
Total assets		**281,259,915**	**260,609,216**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	13,667,314	9,861,895
Consumer deposits	11	104,700	104,700
VAT payable	12	-	1,676,315
Current provisions	14	132,899	37,824
Unspent conditional grants and receipts	15	515,425	1,864,728
Current portion of defined benefit plan	16	60,864	54,434
Non-current liabilities			
Non-current provisions	17	1,938,811	1,517,565
Defined benefit plan obligations	41	633,979	555,697
Total liabilities		**17,053,992**	**15,673,158**
Net assets		**264,205,922**	**244,936,057**
NET ASSETS			
Accumulated surplus		264,205,922	244,936,058
Total net assets		**264,205,922**	**244,936,058**

Kou-Kamma Municipality

STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2012

	Note	2012 R	2011 R
Revenue			
Property rates	18	11,155,756	7,943,164
Service charges	19	15,962,450	14,554,633
Rental of facilities and equipment	20	85,238	157,991
Interest earned - external investments	21	954,571	2,015,457
Fines		194,137	287,493
Licences and permits		1,427,623	1,465,002
Government grants and subsidies	22	74,637,494	92,392,794
Other income	23	1,608,722	6,303,563
Total revenue		**106,025,991**	**125,120,097**
Expenses			
Employee related costs	24	26,994,402	20,805,618
Remuneration of councillors	25	2,289,188	2,041,502
Bad debts		54,589,121	13,566,628
Reversal of debt impairment		(64,030,382)	-
Depreciation and amortisation expense	26	11,271,973	10,149,583
Repairs and maintenance		1,086,865	837,988
Finance costs	27	704,716	158,252
Bulk purchases	28	2,021,664	1,743,535
Contracted services	29	1,864,073	1,538,154
Grants and subsidies paid	30	38,278,274	24,918,866
General expenses	31	11,931,675	7,585,759
Total expenses		**87,001,569**	**83,345,885**
Gain on sale of assets	32	245,444	-
Surplus for the period		**19,269,866**	**41,774,212**

Kou-Kamma Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 30 June 2010		**156,140,117**	156,140,117
Correction of prior period error	36	47,021,728	47,021,728
Restated balance		**203,161,845**	203,161,845
Surplus for the period		41,774,212	41,774,212
Balance at 30 June 2011		**244,936,057**	**244,936,057**
Correction of prior period error			-
Restated balance		**244,936,057**	**244,936,057**
Surplus for the period		19,269,866	19,269,866
Balance at 30 June 2012		**264,205,922**	**264,205,922**

Kou-Kamma Municipality
CASH FLOW STATEMENT
as at 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**100,503,628**	**111,568,455**
Sales of goods and services		28,164,372	33,154,699
Grants		71,384,685	66,847,883
Interest received		954,571	2,015,457
Other receipts			9,550,416
Payments		**(94,737,295)**	**(78,359,838)**
Employee costs		(29,198,878)	(22,849,436)
Suppliers		(15,473,625)	(30,433,284)
Interest paid		(704,716)	(158,252)
Other payments		(49,360,076)	(24,918,866)
Net cash flows from operating activities	33	**5,766,333**	**33,208,617**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(16,481,251)	(24,851,996)
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments			
Purchase of intangibles			(75,158)
Decrease/(Increase) in Loans and receivables		-	
Net cash flows from investing activities		**(16,481,251)**	**(24,927,154)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities		-	-
Net increase / (decrease) in net cash and cash equivalents		(10,714,918)	8,281,463
Net cash and cash equivalents at beginning of period		15,980,027	7,698,564
Net cash and cash equivalents at end of period	35	**5,265,109**	**15,980,027**

Kou-Kamma Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 37 Prior period error.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the useful life assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including the condition of the assets and population growth and supply demand, together with economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for property, plant and equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 41.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services;
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Property - land Indefinite
Property - buildings 30 - 60 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and

- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Buildings	30 - 60 years
Infrastructure	
Roads and paving	10 - 100 years
Electricity	45 - 50 years
Water	15 - 100 years
Community	
Recreational facilities	15 - 60 years
Security	5 years
Other property, plant and equipment	
Specialist vehicles	5 - 30 years
Other vehicles	5 - 15 years
Office equipment	2 - 17 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An identifiable non-monetary asset without physical substance is identified as an intangible asset when it:

• is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or

• arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

• it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and

• the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period, residual value, if any, and the amortisation method for intangible assets are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite, is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software	5 - 10 years

Intangible assets are derecognised:

• on disposal; or

• when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Vat Receivable	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Vat Payable	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality amounts past 120 days are considered to be impaired.

1.6 Financial instruments (continued)

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

• the contractual rights to the cash flows from the financial asset expire, are settled or waived;

• the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

• the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:

• derecognises the asset; and
• recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.6 Financial Instruments (continued)

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the contracted interest rate .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

• distribution at no charge or for a nominal charge; or

• consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects, is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately

1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired.If any such indication exists, the municipality estimates the recoverable amount of the asset. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cashgenerating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

1.11 Impairment of cash-generating assets (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cashgenerating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

1.12 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the unicipality estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's ecoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

1.12 Impairment of non-cash-generating assets (continued)

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The liability for leave pay is based on the total accrued leave days at reporting date and is disclosed as part of trade and other payables on the Statement of Financial Position. The expected cost of bonus payments is recognised as an expense only when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

• as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future

• as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

The municipality has an obligation to provide post-retirement health care benefits to certain retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations on the municipality's benefit plans are performed every year whereas actuarial valuations are performed every three years on the multi-employer benefit plans to which the municipality contributes.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

1.13 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to \be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long-service allowances

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to certain retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.14 Provisions and contingencies

Provisions are recognised when:

• the municipality has a present obligation as a result of a past event;

• it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

• a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality; or

A present obligation that arises from past events but is not recognised because:

• it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

• the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

1.15 Provisions and contingencies (continued)

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.

- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.

- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;

- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service charges

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

- the stage of completion of the transaction at the reporting date can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.16 Revenue from exchange transactions (continued)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame, unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by way of surveys performed .

Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has refuse containers. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges relating to sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and if payment is made five days before year end, it is recognised based on an estimate of the prepaid electricity consumed as at reporting date.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund, and

- Interest earned on unutilised conditional grants is allocated directly to the creditor:unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Rentals

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Income from Agency Services

Income from agency services is recognised on a monthly basis once the income is collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreements.

1.17 Revenue from non-exchange transactions

Rates, including collection charges and penalty interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with an estimate of spot fines and summonses based on past experience of amounts collected.

Other donations, grants and funding

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment such items of property, plant and equipment are available for use.

Revenue from recovery of unauthorised, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.18 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time as the asset is ready for it's intended use. The amount of the borrowing costs eligible for capitalisation is determined as follows:

• Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings

• Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

• expenditures for the asset have been incurred;
• borrowing costs have been incurred; and
• activities that are necessary to prepare the asset for it's intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds it's recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for it's intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for it's intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division. the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.23 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Budget information

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been not included in the financial statements. Refer to appendix A.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

1.28 Commitments

Commitments are not recognised on the statement of financial position as a liability or as expenditure on the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

• Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at reporting date.

• Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at reporting date.

• Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

1.29 Commitments (continued)

• Contracts that are entered into before the reporting date but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

• Other commitments for contracts that are non-cancelable or only cancelable at significant cost in the event that such contract should relate to something other than the business of the municipality.

1.30 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP .

1.31 Value Added Tax

The Municipality accounts for value added tax on the cash basis.

1.32 Conditional grants and receipts

Revenue is received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which it becomes receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payableto the funder it is recorded as part of the creditor and if it in the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Government grants and conditional receipts are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- The amount of revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

1.33 New standards and interpretations

Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities

The interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

• recognised as part of the cost of an item of property, plant and equipment in accordance with the Standard of GRAP on Property, Plant and Equipment (as revised in 2010); and

• recognised as a liability in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) .

The interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

• a change in the estimated outflow of resources embodying economic benefits (e.g. cash flows) or service potential required to settle the obligation;

• a change in the current market-based discount rate as defined in paragraph .52 of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010) (this includes changes in the time value of money and the risks specific to the liability); and

• an increase that reflects the passage of time (also referred to as the unwinding of the discount).

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 3: Determining Whether an Arrangement Contains a Lease

This Interpretation of the Standards of GRAP does not apply to arrangements that are, or contain, leases excluded from the scope of the Standard of GRAP on Leases (as revised in 2010).

IGRAP 3: Determining Whether an Arrangement Contains a Lease (continued)

The issues addressed in this Interpretation of the Standards of GRAP are:

• how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);

• when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and

• if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This Interpretation of the Standards of GRAP applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:

The issues addressed in this Interpretation of the Standards of GRAP are:

• the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and

• a contributor's right to access the assets is restricted.

A residual interest in a fund that extends beyond a right to reimbursement, such as a right to distributions once all the decommissioning has been completed or on winding up the fund, may be an equity instrument within the scope of the Standard of GRAP on Financial Instruments and is not within the scope of this Interpretation of the Standards of GRAP.

The issues addressed in this Interpretation of the Standards of GRAP are:

• how should a contributor account for its interest in a fund?

• when a contributor has an obligation to make additional contributions, for example, in the event of the liquidation of another contributor, how should that obligation be accounted for?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions

This Interpretation applies to the accounting for revenue and associated expenses by municipalities that undertake the construction of assets in exchange transactions directly or through subcontractors. The construction of assets entered into by municipalities where funding to support the construction activity will be provided by an appropriation or similar allocation of general government revenue or by aid or grant funds are excluded from the scope of this Interpretation of the Standards of GRAP.

Agreements in the scope of this Interpretation of the Standards of GRAP are agreements for the construction of assets in exchange transactions. In addition to the construction of assets in exchange transactions, such agreements may include the delivery of other goods or services.

The Interpretation of the Standards of GRAP addresses two issues:

• is the agreement within the scope of the Standard of GRAP on Construction Contracts (as revised in 2010) or the Standard of GRAP on Revenue from Exchange Transactions (as revised in 2010)?

• when should revenue from the construction of assets in exchange transactions be recognised?

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretation for the first time in the 2012 financial statements.

The impact of the interpretation is not material.

GRAP 1 (as revised 2010): Presentation of Financial Statements

The revision resulted in various terminology and definition changes.

Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, municipalities cannot claim compliance with the Standards of GRAP.

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

Operating cash flows:

• Where a municipality is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:

• Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

GRAP 2 (as revised 2010): Cash Flow Statements (continued)

Acquisitions and disposals of controlled municipal entities and other operating units:

• Guidance relating to acquisitions and disposals of municipal entities, particularly those on another basis of accounting, has been deleted. Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled municipal entities accounted for using the

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to changes in accounting policies:

• a change from one basis of accounting to another basis of accounting is a change in accounting policy; and

• a change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies:

• the reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that municipalities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC; and

• commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates

Terminology changes:

Where reference has been made to the net realisable values of inventories, current replacement cost has also been included to allow for the appropriate valuation of inventories where they are distributed as part of a non-exchange transaction. Reference to 'trade' receivables has been amended to 'receivables'.

Monetary items:

Paragraph .15 clarifies that child support grants are 'payables', and not just 'obligations' in terms of the current requirements of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Various amendments, deletions and additions to examples included in the appendix.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 11 (as revised 2010): Construction Contracts

The revision resulted in certain terminology changes:

Other amendments:

• an example has been added to clarify when a municipality acts as a contractor in a construction contract arrangement;

• the example in paragraph .11 has been deleted as it is inappropriate for the South African public sector; and

• the explanatory text relating to 'contractors' has been amended to clarify that a municipality can be a contractor if it performs construction related activities itself or through subcontractors.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:

Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the municipality.

Recognition as an expense:

Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Fair value measurement:

The appendix on how to determine fair value has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

Scope:

Paragraph .04 has been included to clarify that this Standard of GRAP does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:

Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard of GRAP.

Guidance on accounting for finance leases by lessors:

The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where municipalities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:

The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:

The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 14 (as revised 2010): Events After the Reporting Date

Existence of a liability for dividends or similar distributions:

Paragraph .13 of GRAP 14 was amended to clarify that no liability exists at the reporting date for dividends or similar distributions declared after the reporting date.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2010): Investment Property

The revision resulted in various terminology and definition changes.

Recognition of investment property:

• additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property;

GRAP 16 (as revised 2010): Investment Property (continued)

• this Standard of GRAP includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard of GRAP, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .00 and .01 inserted, and paragraphs .25 and .65(e) of the original text deleted;

• the measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured

• additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:

Municipalities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

Scope:

• the recognition and measurement of exploration and evaluation assets have been added to the scope exclusions; and

• investment properties under construction have been removed from the scope.

Measurement at initial recognition:

Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:

An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous

Derecognition:

• the requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed; and

• paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the municipality subsequently sells the assets, the

Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

• the required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used; and

GRAP 17 (as revised 2010): Property, Plant and Equipment (continued)

• the requirement to disclose the cost basis for revalued assets was removed.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets

The revision resulted in certain terminology changes.

Social benefits:

Paragraphs .08 and .16(a) clarify that social benefits due at year end are 'payables', as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:

Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an

Interpretations:

In developing the Standard of GRAP initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board's decisions. The Board subsequently concluded that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations

The revision resulted in various terminology and definition changes.

Scope:

Paragraph .07 has been added to clarify the application of other Standards of GRAP to assets classified as non-current assets (or disposal groups) held for sale.

Plan to sell the controlling interest in a controlled municipal entity:

• the Standard of GRAP has been amended to clarify that a municipality that is committed to a sales plan involving loss of control in a controlled municipal entity shall classify all the assets and liabilities of that controlled municipal entity as held for sale when the required criteria are met; and

• the Standard of GRAP has been amended to clarify that a municipality that is committed to a sales plan involving loss of control of a controlled municipality entity shall disclose the information required when the controlled municipal entity is a disposal group that meets the definition of a discontinued operation.

GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations (continued)

Examples included in Appendix:

An additional example has been included regarding sale expected to be completed within one year.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality has adopted the amendment for the first time in the 2012 financial statements.

The impact of the amendment is not material.

2 Standards and Interpretations early adopted

2.1 The municipality has chosen to early adopt the following standards and interpretations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, a municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where a municipality prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;

GRAP 24: Presentation of Budget Information in the Financial Statements (continued)

• include the same activities and entities;

• use the same classification system; and

• are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 104: Financial Instruments

The Standard of GRAP prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

• a derivative;

• a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;

• held-for-trading;

• a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;

• an investment in a residual interest for which fair value can be measured reliably; and

• other instruments that do not meet the definition of financial instruments at amortised cost or cost.

GRAP 104: Financial Instruments (continued)

• Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

• the cash flows from the asset expire, are settled or waived;

• significant risks and rewards are transferred to another party; or

• despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in less disclosure than would have previously been provided in the financial statements.

GRAP 31: Intangible Assets

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

• control;

• related party transactions; and

• remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP 16: Intangible Assets - Website Costs

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

It concludes that a municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, a municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires a municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Improvements to Standards of GRAP

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:

• GRAP 1;

• GRAP 3;

• GRAP 7;

• GRAP 9;

• GRAP 12;

• GRAP 13;

• GRAP 16; and

• GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furhtermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

GRAP 18: Segment Reporting (continued)

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by thecombining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

3 CASH AND CASH EQUIVALENTS

	Note	2012 R	2011 R
Cash and cash equivalents consist of the following:			
Cash on hand		310	310
Cash at bank		4,109,999	9,349,250
Call deposits		1,154,800	6,630,467
		5,265,109	15,980,027

The Municipality has the following bank accounts: -

	2012	2011
Current Account (Primary Bank Account)		
ABSA Bank Limited - Account Number 405 280 5864		
Cash book balance at beginning of year	2,814,047	1,806,703
Cash book balance at end of year	1,435,307	441,374
Bank statement balance at beginning of year	2,813,528	1,435,307
Bank statement balance at end of year	1,172,920	441,374
	2,790,684	1,172,920
Current Account (Other Account)		
ABSA Bank Limited - Humansdorp Branch: Account Number 90 9125 7522	-	2,620
ABSA Bank Limited - Humansdorp Branch: Account Number 19 4015 8695	19,304	1,007,609
ABSA Bank Limited - Humansdorp Branch: Account Number 91 2257 3572	-	1,343
ABSA Bank Limited - Humansdorp Branch: Account Number 40 5774 2120	269,445	223,028
ABSA Bank Limited - Humansdorp Branch: Account Number 90 7906 4583	319,918	465,791
ABSA Bank Limited - Humansdorp Branch: Account Number 91 0756 0295	-	5,965
ABSA Bank Limited - Humansdorp Branch: Account Number 19 4015 8687	656,217	6,073,763
ABSA Bank Limited - Humansdorp Branch: Account Number 90 5224 5645	-	91,517
ABSA Bank Limited - Humansdorp Branch: Account Number 91 0220 9606	31,588	42,307
Cash book balance at beginning of year	7,913,943	6,467,934
Cash book balance at end of year	1,296,472	7,913,943
Bank statement balance at beginning of year	7,909,692	5,863,687
Bank statement balance at end of year	1,295,547	7,909,692
Savings Accounts/ Call Accounts		
ABSA Bank Limited - Humansdorp Branch: Account Number 90 6986 2084	-	42,595
ABSA Bank Limited - Humansdorp Branch: Account Number 90 4641 4773	-	34,689
ABSA Bank Limited - Humansdorp Branch: Account Number 90 9627 1797	-	50,273
ABSA Bank Limited - Humansdorp Branch: Account Number 91 9914 8641	760,363	3,178,942
ABSA Bank Limited - Humansdorp Branch: Account Number 20 7141 6424	394,437	3,323,968
Cash book balance at beginning of year	6,630,467	680,261
Cash book balance at end of year	1,154,800	6,630,467
Bank statement balance at beginning of year	6,636,899	631,621
Bank statement balance at end of year	1,154,800	6,636,899
Cash on hand	310	310
Total cash and cash equivalents	5,265,109	15,980,027

4 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Note	2012 R	2011 R
Trade receivables	Gross Balances R	Provision for Debt Impairment R	Net Balance R
as at 30 June 2012			
Service debtors			
Electricity	263,764	(128,446)	135,318
Water	10,661,798	(5,069,324)	5,592,474
Sewerage	8,442,290	(4,063,302)	4,378,988
Refuse	4,109,735	(1,948,844)	2,160,891
Housing	108,430	(108,430)	-
Loan Installments	3,373	(3,373)	-
Total	**23,589,390**	**(11,321,719)**	**12,267,671**
Other receivables			
Other receivables	**413,102**	-	**413,102**
	413,102	-	**413,102**
Total Trade and other receivables	**24,002,492**	**(11,321,719)**	**12,680,773**
as at 30 June 2011			
Service debtors			
Electricity	1,210,613	(1,100,325)	110,288
Water	21,741,113	(20,664,629)	1,076,484
Sewerage	20,042,643	(18,269,269)	1,773,374
Refuse	9,574,130	(8,688,087)	886,043
Housing	635,992	(397,886)	238,106
Loan Installments	1,001,847	(806,007)	195,840
Total	**54,206,338**	**(49,926,203)**	**4,280,135**
Other receivables			
Other receivables	**2,531,793**	**(2,526,250)**	**5,543**
	2,531,793	**(2,526,250)**	**5,543**
Total Trade and other receivables	**56,738,132**	**(52,452,453)**	**4,285,678**

Electricity, Water, Refuse, Housing, Loan installments and Sewerage: Ageing

	2012	2011
Electricity		
Current (0 – 30 days)	8,090	7,064
31 - 60 Days	5,857	11,451
61 - 90 Days	5,015	54,726
91 - 120 Days	-	6,181
+120 Days	244,802	1,131,191
Total	**263,764**	**1,210,613**
Water		
Current (0 – 30 days)	476,754	431,051
31 - 60 Days	471,538	848,598
61 - 90 Days	449,120	429,667
91 - 120 Days	3,175	495,088
+120 Days	9,261,211	19,536,709
Total	**10,661,798**	**21,741,113**
Refuse		
Current (0 – 30 days)	186,169	167,552
31 - 60 Days	182,272	379,709
61 - 90 Days	178,573	1,744,006
91 - 120 Days	1,100	171,533
+120 Days	3,561,621	7,111,330
Total	**4,109,735**	**9,574,130**

4 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

	Note	2012 R	2011 R
Housing			
Current (0 – 30 days)		-	-
31 - 60 Days		732	2,863
61 - 90 Days		690	13,265
91 - 120 Days		656	12,983
+120 Days		-	606,881
Total		106,352	635,992
		108,430	
Loan Instalments			
+120 Days		3,373	1,001,847
Total		3,373	1,001,847
Sewerage			
Current (0 – 30 days)		397,911	7,064
31 - 60 Days		365,776	11,451
61 - 90 Days		364,354	54,726
91 - 120 Days		8,505	6,181
+120 Days		7,305,744	721,400
Total		8,442,290	800,822

Summary of Debtors by Customer Classification

	Note	2012 R	2011 R
Households			
Current (0 – 30 days)		793,244	
31 - 60 Days		783,662	
61 - 90 Days		761,224	
91 - 120 Days		754	
+120 Days		14,982,167	
Total		17,321,051	
Business			
Current (0 – 30 days)		60,990	
31 - 60 Days		44,507	
61 - 90 Days		40,036	
91 - 120 Days		8,826	
+120 Days		847,864	
Total		1,002,223	
School			
Current (0 – 30 days)		4,612	
31 - 60 Days		4,581	
61 - 90 Days		4,536	
91 - 120 Days		-	
+120 Days		74,955	
Total		88,684	
Church			
Current (0 – 30 days)		5,857	
31 - 60 Days		5,180	
61 - 90 Days		4,059	
91 - 120 Days		275	
+120 Days		83,325	
Total		98,696	

	Note	2012 R	2011 R
Governmental			
Current (0 – 30 days)		185,056	
31 - 60 Days		179,579	
61 - 90 Days		179,846	
91 - 120 Days		1,925	
+120 Days		4,532,330	
Total		5,078,736	

4.1 Reconciliation of the debt impairment

		2012	2011
Balance at beginning of the year		52,452,453	50,042,159
Provision utilised		(41,130,734)	2,410,294
Balance at end of year		**11,321,719**	**52,452,453**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R2 039 345 (2011: R4 062 696) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

		2012	2011
1 month past due		1,027,989	1,036,931
2 months past due		999,576	1,995,911
3 months past due		11,780	1,029,854

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 11 321 719 (2011: R 52 452 453) were impaired and provided for.

5 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

		2012	2011
Rates and other taxes		16,990,017	25,008,229
Unauthorised expenditure - Salary deductions owed to municipality		22,433	70,565
Other debtors		2,539,048	551,213
Less: Provision for impairment		(2,820,718)	(24,783,023)
Total Other Debtors		**16,730,780**	**846,984**

Rates and other taxes: Ageing

		2012	2011
Rates and other taxes			
Current (0 – 30 days)		505,570	183,114
31 - 60 Days		497,951	674,916
61 - 90 Days		556,516	318,242
91 - 120 Days		2,440,492	306,777
+120 Days		12,989,488	23,525,180
Total		**16,990,017**	**25,008,229**

5.1 Reconciliation of the debt impairment

		2012	2011
Balance at beginning of the year		24,783,023	19,009,406
Contributions to provision		(21,962,305)	5,773,617
Balance at end of year		**2,820,718**	**24,783,023**

6 INVENTORIES

		2012	2011
Opening balance of inventories:		-	-
Additions:		**36,522**	-
Water		36,522	-
Issued (expensed):		-	-
Closing balance of inventories:		**36,522**	-
Water		36,522	-

There were no circumstances or events that led to the reversal of a write-down of inventories.

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Housing R	Total R
as at 1 July 2011	**4,871,591**	**5,408,462**	**182,813,813**	**12,101,461**	**7,627,329**	-	**212,822,656**
Cost	4,903,499	6,843,599	209,083,900	18,614,377	13,983,906	-	253,429,281
Accumulated depreciation and impairment losses	(31,908)	(1,435,137)	(26,270,087)	(6,512,916)	(6,356,577)	-	(40,606,625)
Acquisitions	-	-	14,429,447	-	914,535	-	15,343,982
Capital assets under Construction	-	-	1,137,269	-	-	-	1,137,269
Depreciation	(10,656)	(263,055)	(8,414,206)	(601,722)	(1,852,156)	-	(11,141,795)
Carrying value of disposals	-	-	-	-	**(120,119)**	-	**(120,119)**
Cost	-	-	-	-	(1,811,738)	-	(1,811,738)
Accumulated depreciation and impairment losses	-	-	-	-	1,691,619	-	1,691,619
as at 30 June 2012	**4,860,935**	**5,145,407**	**189,966,323**	**11,499,739**	**6,569,589**	-	**218,041,993**
Cost	4,903,499	6,843,599	224,650,616	18,614,377	13,086,703	-	268,098,794
Accumulated depreciation and impairment losses	(42,564)	(1,698,192)	(34,684,293)	(7,114,638)	(6,517,114)	-	(50,056,801)

Refer to Appendix B for more detail on property, plant and equipment

7.2 Reconciliation of Carrying Value

	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Housing R	Total R
as at 1 July 2010	**4,882,218**	**5,670,799**	**165,586,249**	**12,701,539**	**8,455,162**	-	**197,295,967**
Cost	1,725,000	3,049,780	186,060,813	15,367,229	10,680,063	501,169	217,384,054
Correction of error (note 36)	3,178,500	3,901,669	(1,052,716)	4,605,790	1,470,486	(459,454)	11,644,275
Accumulated depreciation and impairment losses	(21,282)	(1,280,650)	(19,421,848)	(7,271,480)	(3,695,387)	(41,715)	(31,732,362)
Acquisitions	-	-	23,936,814	-	915,182	-	24,851,995
Correction of error (note 36)			679,038		16,661		695,699
Depreciation		(60,614)	(7,019,381)	(456,410)	(1,189,972)	(16,695)	(8,743,072)
Correction of error (note 36)	(10,627)	(201,723)	(368,907)	(143,668)	(569,703)	16,695	(1,277,933)
as at 30 June 2011	**4,871,591**	**5,408,462**	**182,813,813**	**12,101,461**	**7,627,329**	-	**212,822,656**
Cost	4,903,499	6,843,599	209,083,900	18,614,377	13,983,906	-	253,429,281
Accumulated depreciation and impairment losses	(31,908)	(1,435,137)	(26,270,087)	(6,512,916)	(6,356,577)	-	(40,606,625)

A register containing the information required by section 63 of the MFMA is available for inspection at the municipal offices.

Refer to Appendix B for more detail on property, plant and equipment

	Note	2012 R	2011 R

7.3 Details of valuation

The effective date of the revaluations was 1 July 2009. Revaluations were performed by an independent valuers, Associated Valuation Consortium (AVC). AVC is not connected to the municipality and have recent experience in location and category of the investment property being valued.

7.4 Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8 INTANGIBLE ASSETS

8.1 Reconciliation of carrying value

	Computer Software R	Total R
as at 1 July 2011	493,009	493,009
Cost	779,823	779,823
Accumulated amortisation and impairment losses	(286,814)	(286,814)
Amortisation	(102,119)	(102,119)
as at 30 June 2012	**390,890**	**390,890**
Cost	779,823	779,823
Accumulated amortisation and impairment losses	(388,933)	(388,933)

8.2 Reconciliation of carrying value

	Computer Software R	Total R
as at 1 July 2010	**529,815**	**529,815**
Cost	883,539	883,539
Correction of error (note 36)	(29,316)	(29,316)
Accumulated amortisation and impairment losses	(324,408)	(324,408)
Acquisitions	75,158	75,158
Correction of error (note 36)	(11,369)	(11,369)
Amortisation	(110,504)	(110,504)
Correction of error (note 36)	9,909	9,909
as at 30 June 2011	**493,009**	**493,009**
Cost	779,823	779,823
Accumulated amortisation and impairment losses	(286,814)	(286,814)

	Note	2012 R	2011 R

9 INVESTMENT PROPERTY CARRIED AT COST

9.1 Reconciliation of carrying value

	Buildings R	Land R	Total R
as at 1 July 2011	**366,400**	**25,101,100**	**25,467,500**
Cost	869,937	25,101,100	25,971,037
Accumulated depreciation and impairment losses	(503,537)	-	(503,537)
Depreciation	(28,059)	-	(28,059)
as at 30 June 2012	**338,341**	**25,101,100**	**25,439,441**
Cost	869,937	25,101,100	25,971,037
Accumulated depreciation and impairment losses	(531,596)	-	(531,596)

9.2 Reconciliation of carrying value

	Buildings R	Land R	Total R
as at 1 July 2010	**394,383**	**25,101,100**	**25,495,483**
Cost	289,543	-	289,543
Correction of error (note 36)	365,315	25,101,100	25,466,415
Accumulated depreciation and impairment losses	(260,475)	-	(260,475)
Depreciation	(9,645)	-	(9,645)
Correction of error (note 36)	(18,338)	-	(18,338)
as at 30 June 2011	**366,400**	**25,101,100**	**25,467,500**
Cost	869,937	25,101,100	25,971,037
Accumulated depreciation and impairment losses	(503,537)	-	(503,537)

9.3 Fair value of investment property carried at cost:

The effective date of the revaluations was 1 July 2009. Revaluations were performed by an independent valuers, Associated Valuation Consortium (AVC). AVC is not connected to the municipality and have recent experience in location and category of the investment property being valued.
The valuation was based on open market value for existing use.

9.4 Details of property:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

	Note	2012 R	2011 R
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors			
Staff leave accrual		5,562,740	5,721,633
Accrued bonus		1,924,971	1,398,017
Other creditors		488,392	463,460
Total creditors		5,691,211	2,278,785
		13,667,314	9,861,895

The fair value of trade and other payables approximates their carrying amounts.

	Note	2012 R	2011 R
11 CONSUMER DEPOSITS			
Electricity and Water		104,700	104,700
Total consumer deposits		104,700	104,700
12 VAT PAYABLE			
VAT payable		-	1,676,315

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

	Note	2012 R	2011 R
13 VAT RECEIVABLE			
VAT receivable		1,694,571	-

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

	Note	2012 R	2011 R
14 PROVISIONS			
Current portion of long-service provision (see note 17)		132,899	37,824
Total Provisions		132,899	37,824
15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
15.1 Unspent Conditional Grants from other spheres of Government			
MIG Grants		(979,836)	(713,362)
15.2 Other Unspent Conditional Grants and Receipts			
Local Government: Cacadu District Municipality - IDP Grant		515,425	1,864,728
Provincial - IDP		26,864	-
Provincial - LED		182,731	225,456
National - MSIG (Municipal Systems Improvement Grant)		55,830	53,000
National - FMG (Financial Management Grant)		-	711,004
National - Department of Water Affairs Grant		-	875,268
		250,000	-
Total Unspent Conditional Grants and Receipts		(464,411)	1,151,366
Conditional Grants receivable		(979,836)	(713,362)
Unspent Conditional Grants		515,425	1,864,728

See note 22 for reconciliation of grants from National/ Provincial and Other Spheres of Government.

These amounts are invested in a ring-fenced investment account until utilised.

	Note	2012 R	2011 R
16 OTHER FINANCIAL LIABILITIES			
16.1 OTHER CURRENT FINANCIAL LIABILITIES			
Post-retirement medical aid benefit (see note 41.2)		60,864	54,434

17 NON-CURRENT PROVISIONS

	Note	2012 R	2011 R
Provision for rehabilitation of landfill sites		995,030	901,398
Provision for long-service awards		943,781	616,167
Total Non-Current Provisions		1,938,811	1,517,565

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

The movement in the non-current provision is reconciled as follows: -

	2012 R	2011 R
Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	901,398	901,398
Increase in provision due to discounting	93,632	-
Balance at the end of year	995,030	901,398
Provision for long-service awards:		
Balance at the beginning of year	616,167	552,215
Prior period adjustment (see note 36)	37,824	
Contributions to provision	103,010	93,358
Actuarial loss	273,468	-
Expenditure incurred	(11,175)	(39,631)
Increase in provision due to discounting	57,366	48,049
Transfer to current provisions (see note 14)	(132,900)	(37,624)
Balance at the end of year	943,760	616,167

The municipality operates and unfunded defined benefit plan for all it's employees. Under the plan a Long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2012 by C Weiss of ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. At this date 134 employees were eligible for long-service awards.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The current service cost and interest cost incurred are estimated as :

	2012 R	2011 R
Service Cost	103,010	146,732
Interest Cost	57,366	48,049

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	2012	2011
Discount rate	9.03%	8.53%
Cost of inflation	6.4%	6.4%

The effect of a 1% increase in the assumed rate of long service inflation cost is as follows:

	2012 R	2011 R
Increase		
Effect on the aggregate of the current service cost and the interest cost	169,778	150,889
Effect on the defined benefit obligation	1,134,000	638,000
	1,303,778	788,889
Decrease		
Effect on the aggregate of the current service cost and the interest cost	151,742	134,863
Effect on the defined benefit obligation	1,024,000	566,000
	1,175,742	700,863

18 PROPERTY RATES

	Note	2012 R	2011 R
Actual			
Residential		5,663,261	7,943,164
Commercial		2,552,520	-
State		2,939,975	-
Total		**11,155,756**	**7,943,164**
Valuations			
Residential		994,308,515	900,697,000
Commercial		219,059,000	222,980,000
State		540,808,600	540,484,600
Agricultural		1,735,125,900	1,663,265,000
Exempted properties		294,037,400	294,037,400
Total Property Valuations		**3,783,339,415**	**3,621,474,000**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

A general rate of 5.661c/R (2011: 5.341c/R) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an monthly basis on property owners.

Rates are levied on a monthly basis with the final date of payment being on the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September 2012.

19 SERVICE CHARGES

	2012 R	2011 R
Sale of electricity	1,507,360	1,431,955
Sale of water	6,226,835	5,473,115
Refuse removal	2,690,903	2,493,592
Sewerage and sanitation charges	5,537,332	5,155,971
Total Service Charges	**15,962,460**	**14,554,633**

20 RENTAL OF FACILITIES AND EQUIPMENT

	2012 R	2011 R
Rental of facilities	78,568	150,976
Rental of equipment	635	980
Other rentals	6,035	6,035
Total rentals	**85,238**	**157,991**

21 INTEREST EARNED - EXTERNAL INVESTMENTS

	2012 R	2011 R
Bank	266,886	183,103
Short-term deposits	687,685	1,832,354
Total interest	**954,571**	**2,015,457**

22 GOVERNMENT GRANTS AND SUBSIDIES

	2012 R	2011 R
Equitable share	23,246,000	22,754,154
MIG Grant	19,100,104	56,679,583
Other Government Grants and Subsidies		
Local Government: Cacadu District Municipality	23,136	726,187
National - MSIG (Municipal Systems Improvement Grant)	1,404,504	312,808
National - FMG (Financial Management Grant)	1,695,269	2,542,451
National - Department of Water Affairs Grant	-	-
Provincial: Department of Housing Grant	29,061,398	9,155,639
Provincial: IDP	42,725	219,972
Provincial: LED	64,358	-
Total Government Grant and Subsidies	**74,637,494**	**92,392,794**

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

	2012 R	2011 R
Provincial: Equitable Share	23,246,000	22,754,154

National Treasury has deducted R2 700 000 from the municipality's Equitable Share on the 7 July 2011 as the municipality failed to provide National Treasury with information to verify all unspent conditional grants for the period 2005-2006 to 2008-2009 and the municipality also did not ensure that the unspent conditional grants were fully spent by 30 June 2010.

22.2 MIG Grant

	2012 R	2011 R
Balance unspent at beginning of year	(713,362)	6,474,358
Current year receipts	18,833,630	49,491,863
Conditions met - transferred to revenue	(19,100,104)	(56,679,583)
Conditions still to be met - remain liabilities (see note 15)	**(979,836)**	**(713,362)**

The Municipal Infrastructure Grant (MIG) was allocated for the development of infrastructure. Funds have been distributed via the Local District Municipality.

22 GOVERNMENT GRANTS AND SUBSIDIES (continued)

22.3 Other Government Grants and Subsidies

	Note	2012 R	2011 R
National - MSIG (Municipal Systems Improvement Grant)			
Balance unspent at beginning of year		711,004	273,812
Current year receipts		733,000	750,000
Conditions met - 5% Admin fee included in Other Income		(39,500)	-
Conditions met - transferred to revenue		(1,404,504)	(312,808)
Conditions still to be met - remain liabilities (see note 15)		-	711,004

The Municipal Systems Improvement Grant (MSIG) was allocated for the improvement of internal systems.

	Note	2012 R	2011 R
National - FMG (Financial Management Grant)			
Balance unspent at beginning of year		875,268	417,719
Current year receipts		820,000	3,000,000
Conditions met - transferred to revenue		(1,695,268)	(2,542,451)
Conditions still to be met - remain liabilities (see note 15)		-	875,268

The Financial Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA) 2003. The FMG also pays for the cost of the Financial Management Internship Programme (e.g. the Salary costs of Financial Management Interns). During the 2011/2012 financial year R430 000 was withheld by National Treasury due to non-expenditure of the grant funds).

22.3 Other Government Grants and Subsidies (Continued)

	Note	2012 R	2011 R
National - Department of Water Affairs Grant			
Balance unspent at beginning of year		-	-
Current year receipts		250,000	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 15)		250,000	-

The Department of Water Affairs and Forestry Grant was allocated to the municipality to improve municipal systems. No funds have been withheld.

	Note	2012 R	2011 R
Local Government: Cacadu District Municipality			
Balance unspent at beginning of year		-	-
Current year receipts		50,000	-
Conditions met - transferred to revenue		(23,136)	-
Conditions still to be met - remain liabilities (see note 15)		26,864	-

Cacadu District Municipality Grant was allocated to assist with the IDP Projects. No funds have been withheld.

	Note	2012 R	2011 R
Provincial: LED			
Balance unspent at beginning of year		53,000	53,000
Current year receipts		67,187	-
Conditions met - transferred to revenue		(64,359)	-
Conditions still to be met - remain liabilities (see note 15)		55,830	53,000
Provincial: IDP			
Balance unspent at beginning of year		225,456	-
Current year receipts		-	445,428
Conditions met - transferred to revenue		(42,725)	(219,972)
Conditions still to be met - remain liabilities (see note 15)		182,731	225,456

The Integrated Development Grant was allocated in pursuance of the integrated plan to be implemented by the municipality.

23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

23.1 Other income

	2012 R	2011 R
Connection fees	18,653	8,145
Building plan fees	100,570	93,045
Donations received	161,931	
Valuation Certificates	8,270	8,647
Land use application fees	7,920	29,158
Information fees	34,713	16,278
Cemetery fees	68,148	63,663
Sundry other fees	1,208,517	6,084,627
Total Other Income	1,608,722	6,303,563

24 EMPLOYEE RELATED COSTS

	Note	2012 R	2011 R
Employee related costs - Salaries and Wages		17,734,922	14,372,690
Employee related costs - Contributions for UIF, pensions and medical aids		3,546,885	2,534,996
Travel, motor car, accommodation, subsistence and other allowances		2,325,420	1,996,530
Housing benefits and allowances		491,316	374,647
Overtime payments		950,359	241,346
Performance and other bonuses		1,066,898	987,453
Long-service awards		117,319	-
Other employee related costs		761,283	297,956
Employee Related Costs		26,994,402	20,805,618

There were no advances to employees.

Remuneration of the Municipal Manager

	2012	2011
Annual Remuneration	571,301	440,630
Travel, motor car, accommodation, subsistence and other allowances	201,600	168,000
Contributions to UIF, Medical and Pension Funds	106,407	81,628
Total	879,308	690,258

Remuneration of the Chief Finance Officer

	2012	2011
Annual Remuneration	424,584	342,205
Travel, motor car, accommodation, subsistence and other allowances	88,237	157,500
Contributions to UIF, Medical and Pension Funds	23,291	1,123
Total	536,112	500,828

Remuneration of Individual Executive Directors

Remuneration of the Manager: Corporate Services
2012

	2012	2011
Annual Remuneration	480,193	360,515
Travel, motor car, accommodation, subsistence and other allowances	134,255	103,000
Contributions to UIF, Medical and Pension Funds	7,151	81,574
Total	621,599	545,089

Remuneration of the Manager: Technical Services

	2012	2011
Annual Remuneration	552,268	141,164
Travel, motor car, accommodation, subsistence and other allowances	155,725	24,262
Contributions to UIF, Medical and Pension Funds	8,185	374
Total	716,178	165,800

Remuneration of the Manager: Strategic Services

	2012	2011
Annual Remuneration	538,137	-
Travel, motor car, accommodation, subsistence and other allowances	1,078	-
Contributions to UIF, Medical and Pension Funds	6,505	-
Total	545,720	-

Remuneration of the Manager: Community Services

	2012	2011
Annual Remuneration	467,634	324,523
Travel, motor car, accommodation, subsistence and other allowances	123,600	159,700
Contributions to UIF, Medical and Pension Funds	115,648	75,700
Total	706,882	559,923

25 REMUNERATION OF COUNCILLORS

	2012	2011
Executive Mayor	574,050	559,905
Councillors	1,100,745	1,077,967
Councillors' allowances	614,393	403,630
Total Councillors' Remuneration	2,289,188	2,041,502

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

26 DEPRECIATION AND AMORTISATION EXPENSE

	2012	2011
Property, plant and equipment	11,141,795	10,021,005
Intangible assets	102,119	100,595
Investment property	28,059	27,983
Total Depreciation and Amortisation	11,271,973	10,149,583

27 FINANCE COSTS

	2012	2011
Interest - Bank	8,259	-
Interest - Suppliers	696,457	158,252
Total Finance Costs	704,716	158,252

	Note	2012 R	2011 R
28 BULK PURCHASES			
Electricity		1,992,350	1,661,643
Water		29,314	81,892
Total Bulk Purchases		2,021,664	1,743,535

29 CONTRACTED SERVICES

	Expenditure for the year R	
Mandithanda Security & Cleaning	812,308	
De Jager Vervoer	472,083	
Skomane Transport & Maintenance	24,180	
V L Ruiters	278,092	
Hendrik Elektriese Dienste	7,043	
Lettas Building & Civil	23,130	
Alef Construction & Projects	7,440	
Eric Meva	20,348	
Jacobs VS	11,998	
Moses Sikiwe	12,120	
Shmart Family Trust	500	
P Prins Construction Plan	5,575	
Strydom Vrugteboerdery	15,152	
Softline VIP	54,764	
Dr van Greunen	4,842	
EP Web Networks	20,912	
True Technologies	1,219	
Kouga Development Agency	32,484	
Conlog Solutions	21,760	
R-Data Professional Fees	37,979	
Francois Mini Market	144	
	1,864,073	1,538,154

30 GRANTS AND SUBSIDIES PAID

	2012 R	2011 R
Low Income Subsidy/ Free basic services	2,665,163	2,423,843
Community projects	35,613,111	22,495,023
	38,278,274	24,918,866

Community projects are in respect of conditional and other grants utilised for the upliftment of housing and basic service needs of the community.

The Low Income subsidy/ Free basic services is in respect of providing basic service levels

The Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

31 GENERAL EXPENSES

Included in general expenses are the following:-

	2012 R	2011 R
Advertising	272,201	139,413
Audit fees	2,264,352	951,595
Bank charges	149,448	102,871
Conferences and delegations	9,091	20,838
Consumables	1,170,029	870,539
Fuel and oil	1,496,829	1,165,956
Insurance	6,062	802,249
Legal expenses	308,296	270,967
Levies paid	311,767	179,123
Licence fees - vehicles	79,742	184,783
Postage	59,376	74,403
Printing and stationery	421,670	279,340
Rental of office equipment	341,279	296,285
Other rentals	150,986	75,374
Subscription & publication	6,073	275,959
Telephone cost	1,122,764	811,685
Training	3,700	3,098
Travel and subsistence	820,043	362,009
Uniforms & overalls	60,371	87,984
Other	2,677,496	531,288
	11,931,675	7,585,759

	Note	2012 R	2011 R
32 GAIN ON SALE OF ASSETS			
Property, plant and equipment		245,444	-
Total Gain on Sale of Assets		245,444	

33 CASH GENERATED BY OPERATIONS

	2012	2011
Surplus for the year		
Adjustment for:-	19,269,866	41,774,212
Depreciation and amortisation		
Gain on sale of assets	11,271,973	10,149,583
Contribution to provisions - non-current	(245,444)	-
Contribution to provisions - current	505,956	1,000,270
Finance costs	95,075	568
Other non-cash item	-	-
Operating surplus before working capital changes:	(9,592,018)	13,566,628
	21,305,409	66,491,281
(Increase)/decrease in inventories		
(Increase)/decrease in trade receivables	(36,522)	-
(Increase)/decrease in other receivables	1,046,166	10,656,902
(Increase)/decrease in VAT receivable	(14,246,764)	1,314,314
Increase/(decrease) in conditional grants and receipts	(3,370,886)	1,160,436
Increase/(decrease) in trade payables	(3,252,809)	(25,522,658)
Other liability	4,321,739	(20,891,458)
Cash generated by/(utilised in) operations		
	5,766,333	33,208,617

34 Operating Leases

Municipality as Lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises it's option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the leased period.

The municipality has operating lease agreements for the following classes of assets:
- Office equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:
(i) The equipment shall remain the property of the lessor;
(ii) The lessee shall not sell, sublet, cede, assign or delegate any of it's rights or obligations on the office equipment; and
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment which fall due as follows:

	2012	2011
Office Equipment		
Within 1 year		
2 - 5 years	124,800	14,877
More than 5 years	228,800	
		-
	353,600	14,877

The following payments have been recognised as an expense in the Statement of Financial performance:

	2012	2011
Minimum lease payments		
	341,279	494,620

34 Operating Leases (continued)

Municipality as Lessor

Operating leases relate to property being leased out to Cacadu District Municipality to operate as clinics for the community. Land leased out to members of the public for agricultural purposes and Land being leased to cellphone operators on which they have erected cellphone towers.

The municipality has operating lease agreements for the following classes of assets:
- Property

At the reporting date the municipality had the following operating leases for property which fall due as follows:

	2012	2011
Property		
Within 1 year		
2 - 5 years	16,087	14,625
	52,247	48,408
	68,334	63,033

The following payments have been recognised as an expense in the Statement of Financial performance:

	2012	2011
Minimum lease receipts	14,625	13,296

	Note	2012 R	2011 R
35 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		5,265,109	15,980,027
Net cash and cash equivalents (net of bank overdrafts)		5,265,109	15,980,027

36 CORRECTION OF ERROR

36.1 Reconciliation of Unspent conditional grants

During the year a full retrospective reconciliation of unspent conditional grants were performed in an effort to correct the Grants register. During the reconciliation it was identified that amounts spent in previous period had not been correctly recorded in the accounting records and journals were required to correct these errors. The impact on the financial records were as follows:

	2011 R
Adjustment against opening retained earnings 30 June 2011	5,181,245
Adjustments affecting the statement of financial performance	
Increase in Government Grants and Subsidies	(24,068,679)
(Increase)/Decrease in profit for the year end 30 June 2011	(24,068,679)
Adjustments affecting the statement of financial position	
Increase in Trade and other receivables from exchange transactions	529,160
Increase in Trade and other payables from exchange transactions	(411,265)
Decrease in Current portion of unspent grants and receipts	18,769,539
	18,887,434

36.2 Reconciliation of VAT on Grant revenue

Due to the Vat accounts not reconciling at the end of the previous financial period the municipality performed a full retrospective reconciliation for previous financial years, this resulted in adjustments in Revenue due to Vat not previously recognised when grant revenue was recorded. The impact on the financial records were as follows:

	2011 R
Adjustment against opening retained earnings 30 June 2011	(18,910,708)
Adjustments affecting the statement of financial performance	
Increase in Grant Revenue	(6,082,984)
(Increase)/Decrease in profit for the year end 30 June 2011	(6,082,984)
Adjustments affecting the statement of financial position	
Decrease in Current portion of unspent conditional grants and receipts	24,993,692
	24,993,692

36.3 Effect of adjustment on Assets due to the application of GRAP17 and Directive 7

Due to the effect of Directive 7 and the adoption of GRAP 17 by the municipality assets previously carried at zero values had to be accounted for at current replacement values as at 1 July 2008. These adjustments resulted in prior year net values of assets having to be adjusted as well as their useful lives which impacted current year depreciation. The following items were impacted:

	2011 R
Adjustment against opening retained earnings 30 June 2011	(45,959,615)
Adjustments affecting the statement of financial performance	
Increase in Depreciation	1,245,340
Increase in General expenses	219,562
(Increase)/Decrease in profit for the year end 30 June 2011	1,464,902
Adjustments affecting the statement of financial position	
Increase in Property Plant and Equipment	19,066,734
Decrease in Intangible Assets	(29,316)
Increase in Investment Property	25,457,295
	44,494,713

36.4 Suppliers' Reconciliations performed

Following a detailed reconciliation of suppliers account, it was found that some invoices processed in the prior financial year had been duplicated, these items were reversed. An invoice accrued for bulk electricity purchases were identified and adjusted for. The following items were impacted:

	2011 R
Adjustment against opening retained earnings 30 June 2011	
Adjustments affecting the statement of financial performance	
Decrease in General expenses	(6,044)
Decrease in Grants and Subsidies paid	(945,455)
Increase in Interest Received	(24,612)
Increase in Bulk purchases	-
(Increase)/Decrease in profit for the year end 30 June 2011	(976,111)
Adjustments affecting the statement of financial position	
Decrease in Trade and other payables from exchange transactions	976,111
	976,111

	Note	2012 R	2011 R
36 CORRECTION OF ERROR (continued)			

36.5 Work-in-progress capitalised for infrastructure

Previous year payments in regard to Infrastructure WIP was incorrectly expensed, this amount was capitalised and the following items were impacted:

Adjustments affecting the statement of financial performance		
Decrease in general expenses		(679,038)
(Increase)/Decrease in profit for the year end 30 June 2011		(679,038)
Adjustments affecting the statement of financial position		
Increase in Property, Plant and Equipment		679,038
		679,038

36.6 Provision for Landfill Sites

The municipality did not previously account for the rehabilitation costs for the landfill site, a report was done and recorded in the accounting records, the following items were impacted:

Adjustment against opening retained earnings 30 June 2011		901,398
Adjustments affecting the statement of financial position		
Increase in the Non-current provisions		(901,398)

36.7 Audit report matter - assets

Due to the duplication of infrastructure additions in 2010 the 2011 Infrastructure on the general ledger was overstated, this was corrected and the following items have been impacted:

Adjustment against opening retained earnings 30 June 2011		8,683,732
Adjustments affecting the statement of financial position		
Decrease in Property, Plant and Equipment		(8,683,732)

36.8 Cash and Cash Equivalents - Long outstanding items

Following a detailed reconciliation of the bank account, some long outstanding items were identified that were incorrectly included as reconciling items, these amounts were corrected and the following line items have been impacted:

Adjustment against opening retained earnings 30 June 2011		372,454
Adjustments affecting the statement of financial performance		
Decrease in Employee Costs		(30,448)
Decrease in General expenditure		(43,524)
(Increase)/Decrease in profit for the year end 30 June 2011		(73,972)
Adjustments affecting the statement of financial position		
Decrease in Cash and Cash equivalents		(297,492)
Decrease in Trade and other payables from exchange transactions		(990)
		(298,482)

36.9 Recognition of Lease asset in prior year

Prior year leases were recorded as operating expenditure, this has been corrected and the following items have been impacted

Adjustment against opening retained earnings 30 June 2011		16,682
Adjustments affecting the statement of financial performance		
Increase in Depreciation		
Increase in General expenses		101,700
(Increase)/Decrease in profit for the year end 30 June 2011		(118,382)
		(16,682)

36.10 Correction of prior year long service provision

The previous year disclosure of long service award was based on estimated cost and not actual employee costs, this was corrected and the following items have been impacted:

Adjustments affecting the statement of financial performance		
Decrease in employee costs		(52,251)
(Increase)/Decrease in profit for the year end 30 June 2011		(52,251)
Adjustments affecting the statement of financial position		
Decrease in Provision for Long service award		52,251
		52,251

36.11 Debtors provisions reviewed

The municipality reviewed it's provision for doubtful debts and adjusted some estimates, the following items were impacted:

Adjustment against opening retained earnings 30 June 2011		351,328
Adjustments affecting the statement of financial performance		
Decrease in doubtful debts provision		(338,266)
(Increase)/Decrease in profit for the year end 30 June 2011		(338,266)
Adjustments affecting the statement of financial position		
Decrease in Trade and other receivables from exchange transactions		(13,062)
		(13,062)

	Note	2012 R	2011 R
36.12 Salary Control reconciliation			

The municipality performed an in-depth reconciliation of the salary control account and adjusted for outstanding items that were incorrectly included in the control account, the following items were impacted:

Adjustment against opening retained earnings 30 June 2011		2,290,202
Adjustments affecting the statement of financial position		
Increase in Trade and other payables from exchange transactions		(2,290,202)

36.13 Other adjustments

Several smaller items were corrected during the year and the items were impacted as follows:

Adjustment against opening retained earnings 30 June 2011		51,552
Adjustments affecting the statement of financial position		
Increase in Trade and other receivables from exchange transactions		405,492
Increase in Trade and other payables from exchange transactions		(712,025)
Increase in Cash and Cash Equivalents		2,004
Decrease in Unspent conditional grants		252,977
		(51,552)

	Note	2012 R	2011 R

37 Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Furthermore there are a number of other events and conditions that individually or collectively may cast significant doubt about the going concern assumption and place the municipality's financial sustainability under threat. These indicators include amongst others:

• Revenue is not being collected and debtor's recoverability days have worsened in 2011-2012 to 173 days compared to 74 days in 2010-2011 which is far from the required 30 days.

• Inability of the municipality to pay creditors as creditors days are 107 days in 2011-2012 compared to 95 days in 2010-2011 which is far above the MFMA requirement of 30 days.

• Certain suppliers only provide services on the cash basis now due to problems receiving payments in the past.

• The community is refusing to pay for services due to incorrect accounts, faulty water meters and a delay in receiving statements.

• Lack of compliance has already effected the municipality as certain grants have been allocated to Cacadu to administer as the municipality lacks the capability to utilise the funds efficiently. In addition to this, National Treasury has deducted R2 700 000 from the municipality's Equitable Share on the 7 July 2011 as the municipality failed to provide National Treasury with information to verify all unspent conditional grants for the period 2005-2006 to 2008-2009 and the municipality also did not ensure that the unspent conditional grants were fully spent by 30 June 2010

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

	2012 R	2011 R
Opening balance	29,834,014	16,970,000
Unauthorised expenditure current year	9,689,970	12,864,014
Expenditure relating to audit committee	14,293	-
Employee Costs	2,015,067	-
Depreciation	7,102,428	8,863,221
Bad debt provision	558,162	4,000,793
Approved by Council or condoned		
Transfer to receivables for recovery	(39,523,984)	
Unauthorised expenditure awaiting authorisation	-	29,834,014

38.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2012 R	2011 R
Opening balance -	732,988	117,426
Fruitless and wasteful expenditure current year	811,297	615,562
Condoned or written off by Council	(1,026,422)	
Fruitless and wasteful expenditure awaiting condonement	517,863	732,988

38.3 Irregular expenditure

Reconciliation of irregular expenditure

	2012 R	2011 R
Opening balance	10,872,822	2,327,510
Fruitless and wasteful expenditure current year	598,163	9,003,308
Transfer to receivables for recovery – not condoned		(457,996)
Irregular expenditure awaiting condonement	11,470,985	10,872,822

Kou-Kamma Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			

39.1 Contributions to organised local government

Council subscriptions		
Amount paid - current		20,301
Balance unpaid (included in payables)	-	(20,301)
	-	-

39.2 Audit fees

Opening balance	884,754	746,895
Current year audit fee	2,264,352	1,154,084
Interest paid	180,983	
Amount paid - current year		
Amount paid - previous years	(73,247)	(1,016,225)
Balance unpaid (included in payables)	3,256,842	884,754

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality. An agreement was reach with the Auditor General that the outstanding balance will be paid in monthly instalments of R200 000

39.3 VAT

VAT input receivables and VAT output payables are shown in notes 12 and 13.

39.4 PAYE and UIF

Opening balance		
Current year payroll deductions	3,484,858	2,720,549
Amount paid - current year	(3,484,858)	(2,720,549)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

39.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	5,183,887	4,325,823
Amount paid - current year	(5,183,887)	(4,325,823)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

40 CAPITAL COMMITMENTS

40.1 Commitments in respect of capital expenditure

- Approved and contracted for		
Infrastructure	21,577,630	6,515,516
Total	21,577,630	6,515,516
This expenditure will be financed from:		
- Government Grants	21,577,630	6,515,516
	21,577,630	6,515,516

	Note	2012 R	2011 R

41 RETIREMENT BENEFIT INFORMATION

41.1 Post Retirement medical aid plan

Retirement benefit liabilities have been disclosed to adhere to the disclosure provisions of IAS 19.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of medical aid. The municipality operates an unfunded defined benefit plan for those qualifying employees. No other post-retirement benefits are provided to these employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2012 by C Weiss of ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. At this date, two members were eligible for the post retirement medical aid benefit.

41.2 Multi-employer Pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The amounts recognised in the statement of financial position are as follows:

Carrying Value

	2012	2011
Present value of the defined benefit obligation - wholly unfunded	610,131	(561,531)
Interest cost	48,265	(48,600)
Net actuarial losses	68,338	-
Benefits paid	(31,891)	
Current portion transferred to provisions	(60,864)	54,434
	633,979	(555,697)

41.3 Post-retirement health care benefits liability

	Note	2012 R	2011 R
Opening balance	610,131		612,447
Contributions by members	13,668		48,600
Expenditure incurred	(45,559)		(50,916)
Increase due to remeasurement	116,603		
	694,843		610,131
Current portion	(60,864)		(54,434)
	633,979		555,897

41.4 Net expense recognised in the statement of financial performance

	Note	2012 R	2011 R
Current service cost			
Interest cost	48,265		48,600
	48,265		48,600

Key Assumptions used

	Note	2012	2011
Health care cost inflation rate	6.53%		6.91%
Net effective discount rate	7.48%		8.27%

The effect of a 1% increase in the assumed long term medical inflation rate is as follows:

	2012	2011
Increase:		
Effect on aggregate interest cost	54,200	53,200
Effect on defined benefit obligation	754,000	665,000
Decrease:		
Effect on aggregate interest cost	45,800	44,800
Effect on defined benefit obligation	642,000	561,000

	Note	2012 R	2011 R
42 CONTINGENT LIABILITY			

The Municipality had the following outstanding litigations and claims :

M Ndokweni
Arbitration regarding a claim lodged against the municipality due to alleged unfair dismissal subsequent to disciplinary hearing. The matter may result in one of the following awards:
- Reinstatement of Mr M Ndokweni or
- Compensation for to the value of 12 months remuneration totalling — 500,232

S Spellman
A claim was lodged against the municipality due to alleged unfair dismissal. The dispute was taken to the bargaining Council and the Bargaining council found in favour of Mr Spellman and awarded an amount of R900 000. This matter has now been referred to arbitration for review. — 900,000

Sondiyazi & Barnes
A claim has been made against the municipality for breach of the conditions of the Service Level Agreement between the municipality and Sonyazi and Barnes regarding the provision of debt collection services. The matter will be referred to Arbitration but could result in damages due for lost collection commission to the value of — 4,000,000

MTO Forrestry
A claim was lodged against the municipality as the Sixth defendent for neglegently issuing burning permits when conditions were favourable for the spread of run-away fires. Damages suffered by MTO forrestry in excess of R15 million rand has been claimed. The matter has been referred to trial. — 15,000,000

T Mohr
A claim was lodged against the municipality relating to amounts due to the claimant for unpaid leave, back-pay, unpaid salary, etc. The claim against the municipality has a value in excess of R700 000. The matter has been referred to the Labour court for condonation
The outcome of the claim is still uncertain — 700,000

C Oudtshoorn
A claim was lodged against the municipality relating to amounts due to the claimant for unpaid leave, back-pay, unpaid salary, etc. The claim against the municipality has a value in excess of R700 000. The matter has been referred to the Labour court for condonation
The outcome of the claim is still uncertain — 700,000

43 RELATED PARTIES

Members of key management

Municipal Manager	S Nkhulu
Chief Financial Officer	N Venter
Manager: Community Services	TM Sompani
Manager: Corporate Services	M Zenzile
Manager: Strategic Services	M Mpumlwana
Manager: Technical Services	D Dliwayo

Individuals as well as their close family members, and/or entities are related parties if one party has the ability , directly or indirectly, to control or jointly control the other party to exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager. Refer to note 24 regarding the remuneration paid to key management.

Related Party Transactions

		2012	2011
MS Vuso - Mayor (Appointed 23/05/2011)	Sinaw Amandla Construction		
- Refuse Removal award (October 2010)			10,319
- Implementation of the neighbourhood revitalisation programme at Storms River West village (May 2011)			100,000
Payments made to date			(110,319)
BT Jantjies - Councillor (Appointed 23/05/2011)	Sukkot Trading CC		
Tiling of municipal building (April 2011)			45,945
Payments made to date			(45,945)
I Aberdian - Office of the Minister in the Department of Mineral Resources	Bigen Africa Services (Pty) Ltd		
Flood relief Consultants (February 2009 - December 2010)			366,153
Payments made to date			(366,153)

43 RELATED PARTIES (continued)

Debtor - included in Trade and other receivables for overpayment of remuneration:

	Note	2012 R	2011 R
M Ndokweni (Former Municipal Manager)		-	293,996
NJ O'Connell (Former Mayor)		-	117,654
DM Jacobs (Former Councillor)		-	23,043
S Jacobs (Former Councillor)		-	22,789
J Kettledas (Former Councillor)		-	31,804
NE Mntambo (Councillor)		-	27,179
SD Ncethezo (Former Councillor)		-	26,219
MW Wogane (Former Councillor)		-	38,542
FJ Yake (Former Councillor)		-	20,712
C Rheeders (Councillor)		-	30,644
F Strydom (Councillor)		-	23,049
		-	655,632

Debtors - Amounts included in Trade and Other Receivables due to irregular payment of performance bonuses

	2012 R	2011 R
R Herselman (Former Manager - Corporate Services)	-	31,670
C Jonker (Former Manager - Technical Services)	-	23,750
J Ruiters (Former Manager - Community Services)	-	25,198
N Oudtshoorn (Acting CFO)	-	3,167
	-	83,784

Debtors - Amounts included in Trade and Other Receivables due to Overpayment of travel allowances and Maternity leave. Legal proceedings ruled in favour of these debtors

	2012 R	2011 R
S Kambi	-	18,118
B Bavu	-	34,378
S Kosi	-	18,118
L Bebeza	-	10,903
	-	81,518

44 EVENTS AFTER THE REPORTING DATE

No material subsequent events occurred that would have an impact on the financial statements

	Note	2012 R	2011 R

45 RISK MANAGEMENT

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality intends to pay creditors within 30 days.

Interest rate risk

At 30 June 2012, if interest rates at that date had been 100 basis points lower with all other variables held constant, surplus for the period would have been R52 651 lower (2011: surplus would have been R159 800 lower), arising mainly as a result of lower interest received on investments and bank balances. If interest rates had been 100 basis points higher, with all other variables held constant, surplus would have been R52 651 higher (2011: surplus would have been R159 800 higher), arising mainly as a result of higher interest received on investments and bank balances.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing.

Financial assets exposed to credit risk at year end were as follows:

Financial instruments

	2012	2011
Trade and other receivables from exchange transactions	12,660,773	4,285,678
Other receivables from non-exchange transactions	16,730,780	846,984
Cash and cash equivalents	5,265,109	15,980,027
VAT Receivable	-	-
Trade and other payables from exchange transactions	13,667,314	9,661,895
VAT Payable	-	1,676,315
Consumer deposits	104,700	104,700

46 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure A.

Ko   nma Municipality
APPENDIX A
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

Description	2011/12 Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement i.t.o. Council Approved Policy	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome As % Of Final Budget	Actual Outcome As % Of Original Budget	2010/2011 Reported Unauthorised Expenditure	Expenditure authorised in terms of Sec 32 of MFMA	Balance to be recovered	Restated audit outcome
	1	2	3	4	5	6	7	8	9				
	R	R	R	R	R	R	R	R	R				
Financial Performance													
Property Rates	(8,841,036)	(10,640,200)	-	(10,640,200)	(11,155,756)		(515,556)	105	126				
Service Charges	(18,503,466)	(18,574,000)	-	(18,574,000)	(15,962,450)		2,611,550	86	86				
Rental of Facilities and Equipment	(230,444)	(96,160)		(96,160)	(85,238)		10,922	89	37				
Investment Revenue	(769,490)	(1,112,300)	-	(1,112,300)	(954,571)		157,729	86	124				
Fines	(303,796)	(359,600)		(359,600)	(194,137)		165,463	54	64				
Licences and Permits	(1,378)	(600)		(600)	(1,427,623)		(1,427,023)	237,937	103,601				
Government grants and subsidies	(69,122,170)	(89,525,654)	-	(89,525,654)	(74,637,494)		14,888,160	83	108				
Other Own Revenue	(2,189,702)	(16,080,045)	-	(16,080,045)	(1,854,166)		14,225,879	12	85				
Total Revenue (Excluding Capital Transfers & Contributions)	(99,961,482)	(136,388,559)	-	(136,388,559)	(106,271,435)	0	30,117,124	238,451	104,231				
Employee Costs	30,217,191	25,533,800	-	25,533,800	26,994,402	1,460,602	1,460,602	106	89				
Remuneration Of Councillors	2,520,698	2,081,700	-	2,081,700	2,289,188		207,488	110	91				
Debt Impairment	10,498,346	13,779,400	-	13,779,400	(9,441,261)		(23,220,661)	-69	-90	4,000,793	4,000,793	-	
Depreciation & Asset Impairment	0	4,188,000	-	4,188,000	11,271,973	7,083,973	7,083,973	269	N/A	8,863,221	8,863,221	-	
Finance Charges	198,856	151,400	-	151,400	704,716	553,316	553,316	465	354				
Materials & Bulk Purchases	2,062,018	3,171,900	-	3,171,900	2,021,664		(1,150,236)	64	98				
Repairs and Maintenance	2,175,968	1,949,300	-	1,949,300	1,086,865		(862,435)	56	50				
Contracted Services	1,865,812	1,921,900	-	1,921,900	1,864,073		(57,827)	97	100				
Transfers & Grants	36,901,525	55,221,941	-	55,221,941	38,278,274		(16,943,667)	69	104				
Other Expenditures	12,520,277	15,864,505	-	15,864,505	11,931,675		(3,932,830)	75	95				
Total Expenditure	98,960,691	123,863,846	-	123,863,846	87,001,569	9,097,891	(36,862,277)	70	88	12,864,014	12,864,014	-	
Surplus/(Deficit)	(1,000,791)	(12,524,713)	-	(12,524,713)	(19,269,866)	(9,097,891)	(6,745,153)	154	104,143				
Transfers Recognised - Capital	9,985,213	16,436,713	0	16,436,713			-	-	-				
Contributions Recognised - Capital & Contributed Assets	966,932	276,000	0	276,000			-	-	-				
Surplus/(Deficit) After Capital Transfers & Contributions	9,951,354	4,188,000	0	4,188,000	(19,269,866)	(9,097,891)	(6,745,153)	154	104,143				
Share Of Surplus/(Deficit) Of Associate	-	-	0	-			-	-	-				
Surplus/(Deficit) For The Year	9,951,354	4,188,000	0	4,188,000	(19,269,866)	(9,097,891)	(6,745,153)	154	104,143				

The subsequent schedules have not been audited.

APPENDIX B

KOUKAMMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation: Opening Balance	Cost / Revaluation: Additions	Cost / Revaluation: Disposals	Cost / Revaluation: Closing Balance	Accumulated Depreciation: Opening Balance	Accumulated Depreciation: Additions	Accumulated Depreciation: Disposals	Accumulated Depreciation: Closing Balance	Accumulated Depreciation / Impairment: Opening Balance	Accumulated Depreciation / Impairment: Additions	Accumulated Depreciation / Impairment: Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R
LAND AND BUILDING ASSETS												
Land:												
Land - Developed	3,808,899	-	-	3,808,899	31,909	10,655	-	42,564	31,909	10,655	42,564	3,766,335
Land - Undeveloped	1,094,600	-	-	1,094,600	-	-	-	-	-	-	-	1,094,600
Office Buildings	3,819,708	-	-	3,819,708	852,230	145,812	-	998,042	852,230	145,812	998,042	2,821,666
Warehouses and Storage Facilities	174,742	-	-	174,742	126,025	3,184	-	129,209	126,025	3,184	129,209	45,533
Workshops and Depots	444,212	-	-	444,212	64,017	14,318	-	78,335	64,017	14,318	78,335	365,877
Other Buildings	2,404,937	-	-	2,404,937	392,865	99,740	-	492,605	392,865	99,740	492,605	1,912,332
	11,747,098	-	-	11,747,098	1,467,046	273,709	-	1,740,755	1,467,046	273,709	1,740,755	10,006,343
INFRASTRUCTURE ASSETS												
Electricity:												
LV Cables	7,812,548	-	-	7,812,548	1,827,664	313,152	-	2,140,816	1,827,664	313,152	2,140,816	5,671,732
High Mast Lighting	2,149,797	586,816	-	2,736,613	501,541	143,741	-	645,282	501,541	143,741	645,282	2,091,331
Roads:												
Bridges:	-	-	-	-	-	-	-	-	-	-	-	-
Bridges	-	-	-	-	-	-	-	-	-	-	-	-
Roads:	1,152,500	-	-	1,162,500	334,872	111,828	-	446,700	334,872	111,828	446,700	715,800
Roads	117,049,708	2,112,725	-	119,162,432	5,450,040	5,830,805	-	11,280,846	5,450,040	5,830,805	11,280,846	107,881,587
Pavements	4,328,761	-	-	4,328,761	1,644,559	86,755	-	1,731,315	1,644,559	86,755	1,731,315	2,597,446
Road Furniture	11,590	-	-	11,590	1,966	774	-	2,740	1,966	774	2,740	8,850
Street Lighting	1,760,849	-	-	1,760,849	152,605	44,112	-	196,717	152,605	44,112	196,717	1,584,132
Stormwater:	-	-	-	-	-	-	-	-	-	-	-	-
Pipework	3,441,540	-	-	3,441,540	142,848	68,974	-	211,822	142,848	68,974	211,822	3,229,718
Sanitation:												
Landfill Sites	4,600,916	-	-	4,600,916	689,127	102,499	-	791,626	689,127	102,499	791,626	3,809,290
Transfer Stations	-	-	-	-	-	-	-	-	-	-	-	-
Processing Facilities	2,040,521	-	-	2,040,521	287,478	83,662	-	371,141	287,478	83,662	371,141	1,669,380
Security Measures:												
Access Control	20,912	-	-	20,912	3,667	1,350	-	5,017	3,667	1,350	5,017	15,896
Sewerage:												
Bulk Pipelines	-	-	-	-	-	-	-	-	-	-	-	-
Outfall Sewers	3,476,236	-	-	3,476,236	556,403	69,669	-	626,073	556,403	69,669	626,073	2,850,164
Reticulation	8,083,133	74,165	-	8,157,298	1,915,247	136,150	-	2,051,397	1,915,247	136,150	2,051,397	6,105,900
Sewer Pumping Stations	1,976,543	-	-	1,976,543	431,262	36,012	-	467,274	431,262	36,012	467,274	1,509,269
Sewer Treatment Works	7,302,430	-	-	7,302,430	1,915,679	133,049	-	2,048,728	1,915,679	133,049	2,048,728	5,253,702
Water:												
Dams and Weirs	516,245	-	-	516,245	121,009	33,529	-	154,538	121,009	33,529	154,538	361,707
Reservoirs and Tanks	8,443,611	5,311	-	8,448,922	938,189	196,785	-	1,134,974	938,189	196,785	1,134,974	7,313,948
Underground Chambers	218,110	-	-	218,110	8,296	3,974	-	12,270	8,296	3,974	12,270	205,840
Telemetry Systems	79,482	-	-	79,482	11,724	5,310	-	17,034	11,724	5,310	17,034	62,448
Water Boreholes	1,309,562	-	-	1,309,562	61,455	32,806	-	94,262	61,455	32,806	94,262	1,215,300
Water Pumping Stations	9,253	-	-	9,253	4,090	1,779	-	5,869	4,090	1,779	5,869	3,384
Water Electrical Equipment	289,273	-	-	289,273	63,067	28,723	-	91,790	63,067	28,723	91,790	197,483
Water Treatment Works	2,205,717	12,787,700	-	14,993,417	624,471	40,811	-	665,282	624,471	40,811	665,282	14,328,135
Water Bulk Pipelines	31,080	-	-	31,080	9,095	3,939	-	13,034	9,095	3,939	13,034	18,046
Water Reticulation	19,006,527	-	-	19,006,527	1,063,971	380,985	-	1,444,956	1,063,971	380,985	1,444,956	17,561,571
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Water Supply	11,757,057	-	-	11,757,057	7,509,762	523,031	-	8,032,793	7,509,762	523,031	8,032,793	3,724,264
	209,083,900	15,566,716	-	224,650,616	28,270,087	8,414,206	-	34,684,293	28,270,087	8,414,206	34,684,293	189,966,323

COMMUNITY ASSETS												
Recreational Facilities:												
Sports Facilities:												
Indoor Sports Facilities	-	-	-	-	-	-	-	-	-	-	-	-
Outdoor Sports Facilities	179,806	-	-	179,806	131,319	9,009	-	140,327	131,319	9,009	140,327	39,479
Stadiums	67,543	-	-	67,543	24,768	2,256	-	27,025	24,768	2,256	27,025	40,516
Floodligting	322,240	-	-	322,240	171,944	21,530	-	193,473	171,944	21,530	193,473	128,767
Other Facilities:												
Care Centres	1,070,898	-	-	1,070,898	513,500	35,772	-	549,272	513,500	35,772	549,272	521,626
Cemeteries	421,175	-	-	421,175	42,526	14,069	-	56,594	42,526	14,069	56,594	364,580
Clinics and Hospitals	2,612,732	-	-	2,612,732	1,249,335	65,649	-	1,314,984	1,249,335	65,649	1,314,984	1,297,748
Community Centres	10,369,600	-	-	10,369,600	3,773,757	334,176	-	4,107,933	3,773,757	334,176	4,107,933	6,261,667
Mortuaries	34,876	-	-	34,876	31,378	1,165	-	32,543	31,378	1,165	32,543	2,333
Religion	475,000	-	-	475,000	47,513	15,867	-	63,380	47,513	15,867	63,380	411,620
Schools	2,347,000	-	-	2,347,000	193,924	78,398	-	272,321	193,924	78,398	272,321	2,074,679
Vehicle Testing Centres	713,508	-	-	713,508	332,953	23,834	-	356,787	332,953	23,834	356,787	356,721
	18,614,377.49	-	-	18,614,377.49	6,512,916.36	801,722.25	-	7,114,638.61	6,512,916.36	801,722.25	7,114,638.61	11,499,738.88
OTHER ASSETS												
Computer Equipment:												
Computer Hardware (including Operating Systems)	1,663,668.00	403,565.00	353,967.00	1,713,266.00	786,990.00	329,173.23	317,064.95	799,098.77	786,990.49	329,173.23	799,098.77	914,167.27
Computer Networks	22,343.00	-	-	22,343.00	10,699.96	2,762.17	-	13,462.13	10,699.96	2,762.17	13,462.13	8,880.67
Emergency Equipment:												
Emergency Lights	39,213.00	144,830.00	-	184,043.00	7,617.83	16,516.74	-	24,134.57	7,617.83	16,516.74	24,134.57	159,908.92
Furniture and Fittings:												
Advertising Boards	-	-	-	-	-	-	-	-	-	-	-	-
Cabinets and Cupboards	323,615.10	48,854.95	4,500.00	367,970.05	156,053.62	42,247.23	4,081.09	194,216.86	156,053.62	42,247.23	194,216.86	173,751.19
Chairs	731,677.66	26,893.94	66,354.23	692,217.37	352,594.19	94,238.12	61,261.86	385,570.45	352,594.19	94,238.12	385,570.45	306,646.92
Desks and Tables	318,583.12	60,077.91	15,467.00	363,194.03	147,270.80	44,056.66	14,220.09	177,107.39	147,270.80	44,056.66	177,107.39	186,086.64
Domestic / Hostel Furniture	55,968.99	-	1,979.00	53,989.99	30,786.54	4,734.39	1,832.08	33,688.85	30,786.54	4,734.39	33,688.85	20,301.14
Other Furniture and Fittings	240,668.78	-	256.00	240,412.78	93,814.70	33,370.01	255.96	126,928.75	93,814.70	33,370.01	126,928.75	113,484.03
Office Equipment:												
Air Conditioners (Individual)	24,338.47	8,513.50	-	32,851.97	15,053.39	5,507.61	-	20,561.00	15,053.39	5,507.61	20,561.00	12,290.97
Cellular Phones	1,000.00	-	1,000.00	-	750.17	249.83	1,000.00	-	750.17	249.83	-	-
Domestic Equipment	43,620.19	-	12,057.94	31,562.25	26,704.26	6,648.30	10,567.55	22,785.01	26,704.26	6,648.30	22,785.01	8,777.24
Library Materials	-	21,200.58	-	21,200.58	-	2,049.24	-	2,049.24	-	2,049.24	2,049.24	19,151.34
Office Equipment / Machines	187,896.90	-	27,491.67	180,405.23	90,623.58	24,626.26	19,622.27	95,627.57	90,623.58	24,626.26	95,627.57	64,777.66
Other Office Equipment	70,781.37	10,877.20	459.00	81,199.57	29,270.50	10,883.10	262.36	39,891.23	29,270.50	10,883.10	39,891.23	41,308.34
Plant and Equipment:												
Agricultural / Farm Equipment	97,123.00	-	-	97,123.00	51,823.75	6,489.05	-	58,312.80	51,823.75	6,489.05	58,312.80	38,810.20
Compressors, Generators and Allied Equipment	183,629.24	-	9,629.24	174,000.00	72,712.41	32,672.51	9,707.99	95,676.93	72,712.41	32,672.51	95,676.93	78,323.07
Gardening Equipment	252.88	-	-	252.88	4.07	49.70	-	53.77	4.07	49.70	53.77	199.10
Irrigation Equipment / Systems	2,500.00	-	-	2,500.00	1,833.70	167.03	-	2,000.73	1,833.70	167.03	2,000.73	499.27
Radio Equipment	2,356.32	-	80.00	2,276.32	976.09	332.10	73.85	1,234.34	976.09	332.10	1,234.34	1,041.98
Security Equipment / Systems / Materials	15,500.00	-	-	15,500.00	2,694.14	2,019.61	-	4,713.75	2,694.14	2,019.61	4,713.75	10,786.25
Telecommunication Equipment	59,956.93	-	-	59,956.93	35,190.73	15,194.59	-	50,385.32	35,190.73	15,194.59	50,385.32	9,571.61
Workshop Tools	348,534.21	-	30,000.00	318,534.21	197,919.54	67,057.78	24,003.28	240,974.04	197,919.54	67,057.78	240,974.04	77,560.17
Other Plant and Equipment	1,567,501.15	41,100.00	39,580.57	1,569,020.58	500,450.11	232,514.91	26,969.76	705,995.26	500,450.11	232,514.91	705,995.26	863,025.32
Motor Vehicles:												
Bakkies (LDV's)	1,470,085.33	148,621.05	65,002.00	1,553,704.38	628,992.72	197,937.28	65,002.00	761,928.00	628,992.72	197,937.28	761,928.00	781,776.38
Fire Engines	1,000,000.00	-	-	1,000,000.00	475,770.93	78,437.91	-	554,208.84	475,770.93	78,437.91	554,208.84	445,791.16
Graders	350,000.00	-	350,000.00	-	330,514.15	19,432.61	349,946.76	-0.00	330,514.15	19,432.61	-0.00	0.00
Motor Cars	285,741.72	-	3.00	285,738.72	163,505.69	42,142.53	2.57	205,645.65	163,505.69	42,142.53	205,645.65	80,093.06
Tippers	240,040.87	-	-	240,040.87	112,021.99	28,873.27	-	140,895.26	112,021.99	28,873.27	140,895.26	99,145.61
Tractors	1,063,178.09	-	470,505.00	592,671.09	581,345.96	63,689.73	470,504.23	174,531.46	581,345.96	63,689.73	174,531.46	418,139.63
Trailers and Accessories	597,500.00	-	190,000.00	407,500.00	302,843.59	53,658.71	159,212.33	197,289.97	302,843.59	53,658.71	197,289.97	210,210.03
Trucks	2,976,632.81	-	173,405.86	2,803,226.95	1,149,747.76	394,423.37	156,027.39	1,388,143.74	1,149,747.76	394,423.37	1,388,143.74	1,415,083.21
	13,983,906.23	914,533.99	1,811,737.95	13,086,702.27	6,356,577.38	1,852,155.61	1,691,619.30	6,517,113.69	6,356,577.38	1,852,155.61	6,517,113.69	6,569,568.59
	283,429,282.20	16,481,249.85	1,811,737.95	268,098,794.11	40,606,626.64	11,141,794.58	1,691,619.30	50,056,801.69	40,606,626.64	##########	50,056,801.69	218,041,992.21

KOUKAMMA LOCAL MUNICIPALITY : ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2008

Description	Cost / Revaluation				Accumulated Depreciation				Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
INVESTMENT PROPERTY ASSETS												
Land:												
IP Land	12,491,100.00	-	-	12,491,100.00	-	-	-	-	-	-	-	12,491,100.00
IP Farms	12,610,000.00	-	-	12,610,000.00	-	-	-	-	-	-	-	12,610,000.00
Buildings:												
IP Buildings Let-out	869,937.00	-	-	869,937.00	503,536.64	28,059.23	-	531,595.87	503,536.64	28,059.23	531,595.87	338,341.13
	25,971,037.00	-	-	25,971,037.00	503,536.64	28,059.23	-	531,595.87	503,536.64	28,059.23	531,595.87	25,439,441.13

KOUKAMMA LOCAL MUNICIPALITY : ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2008

Description	Cost / Revaluation				Accumulated Depreciation				Accumulated Depreciation / Impairment			Carrying
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Closing Balance	Value
INTANGIBLE ASSETS												
Intangibles:												
Computer Software	779,823.13	-	-	779,823.13	286,814.15	102,118.90	-	388,933.05	286,814.15	102,118.90	388,933.05	390,890.08
	779,823.13	-	-	779,823.13	286,814.15	102,118.90	-	388,933.05	286,814.15	102,118.90	388,933.05	390,890.08
TOTAL ASSETS	260,180,142.33	16,481,249.86	1,811,737.95	294,849,654.24	41,396,977.42	11,271,972.69	1,691,619.30	50,977,330.81	41,396,977.42	##########	50,977,330.81	243,872,323.43

APPENDIX C

KOUKAMMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation				Accumulated Depreciation				Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin	29,625,596	530,937	435,518	29,721,016	8,854,659	1,410,501	384,816	9,880,344	8,854,659	1,410,501	384,816	9,880,344	19,840,672
Planning and Development	2,717,148	-	235,486	2,481,662	1,296,046	315,094	212,342	1,398,798	1,296,046	315,094	212,342	1,398,798	1,082,864
Health	46,656	-	25,150	21,506	11,945	3,730	10,151	5,524	11,945	3,730	10,151	5,524	15,982
Community & Social Services	423,085	35,001	38,036	420,050	191,956	69,582	31,848	229,690	191,956	69,582	31,848	229,690	190,360
Housing	2,180,230	-	3,150	2,177,080	180,004	74,279	2,890	251,393	180,004	74,279	2,890	251,393	1,925,687
Public Safety	2,167,790	168,280	21,572	2,314,498	1,072,612	190,519	19,595	1,243,536	1,072,612	190,519	19,595	1,243,536	1,070,962
Sport & Recreation	450,953	30,396	24,460	456,888	32,212	12,861	16,773	28,299	32,212	12,861	16,773	28,299	428,589
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	3,313,085	-	536,002	2,777,083	523,515	63,674	528,993	58,196	523,515	63,674	528,993	58,196	2,718,887
Waste Water Management	27,273,069	12,720	-	27,285,789	931,513	846,903	-	1,778,416	931,513	846,903	-	1,778,416	25,507,373
Road Transport	126,992,850	2,017,848	350,000	128,660,698	345,133	6,076,657	349,947	6,071,843	345,133	6,076,657	349,947	6,071,843	122,588,855
Water	46,809,685	13,099,252	142,365	59,766,573	781,876	1,426,185	134,264	2,073,797	781,876	1,426,185	134,264	2,073,797	57,692,776
Electricity	11,429,135	586,816	-	12,015,951	541,435	651,810	-	1,193,245	541,435	651,810	-	1,193,245	10,822,706
	253,429,282	16,481,250	1,811,738	268,098,794	14,762,907	11,141,795	1,691,619	24,213,082	14,762,907	11,141,795	1,691,619	24,213,082	243,885,712

Kou-Kamma Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus / (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus / (Deficit) R
3,859,546	(7,288,948)	(3,429,402)	Executive & Council	3,527,642	(8,715,554)	(5,187,912)
29,136,577	(16,354,543)	12,782,034	Finance & Admin	21,125,612	(19,770,781)	1,354,831
1,703,973	(1,138,376)	565,597	Planning & Development	2,417,603	(3,952,225)	(1,534,622)
	(4,291)	(4,291)	Health		(5,769)	(5,769)
2,078,205	(2,743,514)	(665,309)	Community & Social Services	2,404,476	(3,205,065)	(800,589)
9,455,641	(9,466,890)	(11,249)	Housing	29,503,192	(29,375,304)	127,888
1,687,377	(2,745,299)	(1,057,922)	Public Safety	2,402,231	(2,907,704)	(505,473)
1,501,886	(300,691)	1,201,195	Sport & Recreation	1,545,842	(225,898)	1,319,944
12,137,905	(9,765,078)	2,372,827	Waste Management	10,296,521	(8,265,843)	2,030,678
30,940,769	(17,150,559)	13,790,210	Road Transport	5,778,532	(3,126,413)	2,652,119
30,661,695	(16,020,726)	14,640,969	Water	23,547,263	(13,160,007)	10,387,256
1,956,523	(2,990,064)	(1,033,541)	Electricity	3,722,521	(3,732,267)	(9,746)
	2,623,094	2,623,094	Doubtful Debt		9,441,261	9,441,261
125,120,097	**(83,345,885)**	**41,774,212**		**106,271,435**	**(87,001,569)**	**19,269,866**
			Less: Inter-Department Charges			
125,120,097	**(83,345,885)**	**41,774,212**	Total	**106,271,435**	**(87,001,569)**	**19,269,866**

Kou-Kamma Municipality
APPENDIX E
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2012

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
Stock Loan @ x% 2								
Stock Loan @ x% 3								
Stock Loan @ x% 4								
Stock Loan @ x% 5								
Stock Loan @ x% 6								
Stock Loan @ x% 7								
Stock Loan @ x% 8								
Total long-term loans								
ANNUITY LOAN								
Sanlam @ x%								
GOVERNMENT LOANS								
- Other @ x%								
Total Government Loans								
TOTAL EXTERNAL LOANS								